

A-H-S-T COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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A-H-S-T Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
John Pattee	President	2008
Mark Schroder	Vice President	2008
Greg Becker	Board Member	2006
Laurie Fell	Board Member	2006
Gene McCool	Board Member	2007
Monte Riesgaard	Board Member	2007
Darlene McMartin	Board Member	2008
Board of Education		
(After September 2006 Election)		
John Pattee	President	2008
Mark Schroder	Vice President	2008
Gene McCool	Board Member	2007
Monte Riesgaard	Board Member	2007
Darlene McMartin	Board Member	2008
Greg Becker	Board Member	2009
Laurie Fell	Board Member	2009
School Officials		
Charles Scott	Superintendent	2007
Nancy Collins	District Secretary/Treasurer and Business Manager	2007
Brian Gruhn	Attorney	2007
Hanson, Sulhoff & Larson	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
A-H-S-T Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the A-H-S-T Community School District, Avoca, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the A-H-S-T Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2008 on our consideration of the A-H-S-T Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

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inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise A-H-S-T Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

A-H-S-T Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,395,046 in fiscal 2006 to \$5,573,117 in fiscal 2007, while General Fund expenditures decreased from \$5,577,029 in fiscal 2006 to \$5,466,084 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$248,943 in fiscal 2006 to a balance of \$355,976 in fiscal 2007, a 42.99% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax revenues in fiscal 2007. The decrease in expenditures was due primarily to decreases due to budget reductions to avoid exceeding spending authority. As a result, the District will increase in the amount of carryover fund balance to be used to fund future expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of A-H-S-T Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report A-H-S-T Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which A-H-S-T Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
A-H-S-T Community School District Annual Financial Report

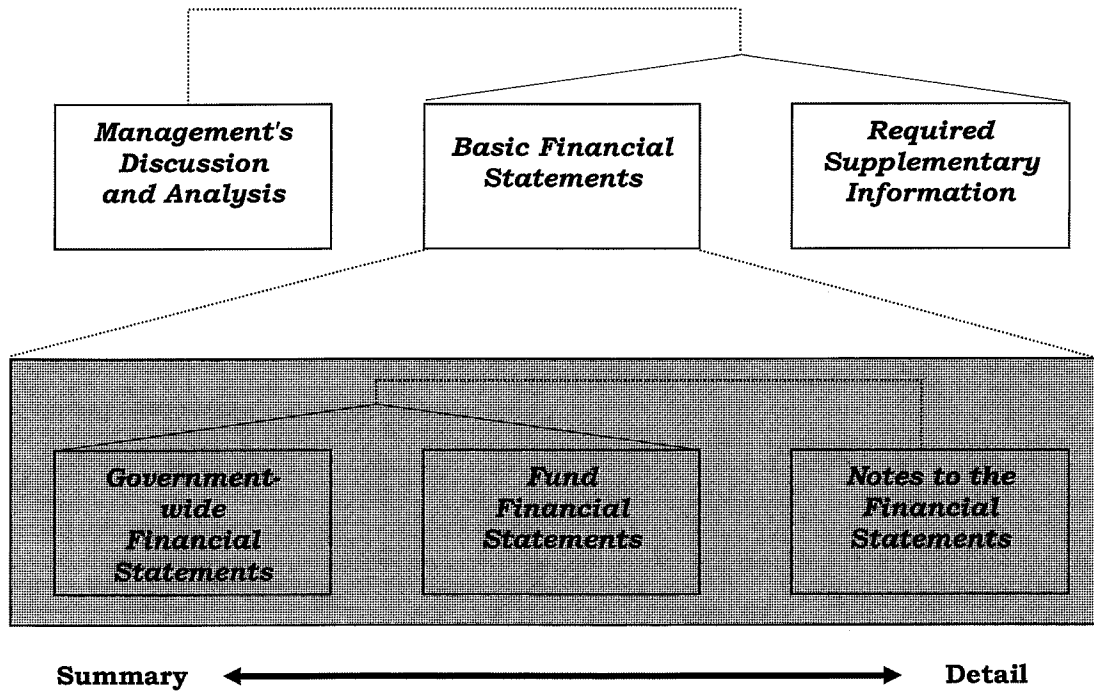


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 5,241,643	4,467,019	74,837	52,539	5,316,480	4,519,558	17.63%
Capital assets	1,954,093	1,557,881	51,578	38,859	2,005,671	1,596,740	25.61%
Total assets	7,195,736	6,024,900	126,415	91,398	7,322,151	6,116,298	19.72%
Long-term obligations	179,959	125,912	0	0	179,959	125,912	42.92%
Other liabilities	3,710,662	3,184,946	3,941	2,730	3,714,603	3,187,676	16.53%
Total liabilities	3,890,621	3,310,858	3,941	2,730	3,894,562	3,313,588	17.53%
Net assets:							
Invested in capital assets, net of related debt	1,891,064	1,557,881	51,578	38,859	1,942,642	1,596,740	21.66%
Restricted	922,472	758,535	0	0	922,472	758,535	21.61%
Unrestricted	491,579	397,626	70,896	49,809	562,475	447,435	25.71%
Total net assets	\$ 3,305,115	2,714,042	122,474	88,668	3,427,589	2,802,710	22.30%

The District's combined net assets increased by \$624,879, or 22.30% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$163,937, or 21.61%. This increase was due to the increases in the Capital Projects Fund balance, the Nonmajor Special Revenue Fund balances and increases in grant carryovers.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$115,040, or 25.71%. This increase was due to the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 246,443	381,896	120,542	124,156	366,985	506,052	-27.48%
Operating grants and contributions and restricted interest	748,604	651,527	94,760	109,582	843,364	761,109	10.81%
General revenues:							
Property tax	1,915,491	1,755,890	0	0	1,915,491	1,755,890	9.09%
Income surtax	255,565	165,926	0	0	255,565	165,926	54.02%
Local option sales and service tax	472,351	515,310	0	0	472,351	515,310	-8.34%
Unrestricted state grants	2,659,244	2,550,786	0	0	2,659,244	2,550,786	4.25%
Other	118,518	257,829	0	2	118,518	257,831	-54.03%
Total revenues	6,416,216	6,279,164	215,302	233,740	6,631,518	6,512,904	1.82%
Program expenses:							
Governmental activities:							
Instruction	4,027,367	4,106,606	0	0	4,027,367	4,106,606	-1.93%
Support services	1,541,746	1,561,178	3,026	0	1,544,772	1,561,178	-1.05%
Non-instructional programs	0	154	190,915	206,104	190,915	206,258	-7.44%
Other expenses	256,030	331,384	0	0	256,030	331,384	-22.74%
Total expenses	5,825,143	5,999,322	193,941	206,104	6,019,084	6,205,426	-3.00%
Change in net assets before capital contributions	591,073	279,842	21,361	27,636	612,434	307,478	-99.18%
Capital contributions	0	0	12,445	0	12,445	0	-100.00%
Change in net assets	591,073	279,842	33,806	27,636	624,879	307,478	-103.23%
Net assets beginning of year	2,714,042	2,434,200	88,668	61,032	2,802,710	2,495,232	12.32%
Net assets end of year	\$ 3,305,115	2,714,042	122,474	88,668	3,427,589	2,802,710	22.30%

In fiscal 2007, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 82.64% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$6.6 million of which \$6.4 million was for governmental activities and \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.82% increase in revenues and a 3.00% decrease in expenses. Property taxes increased \$159,601 to fund expenditures. The decrease in expenses related to budget reductions as to not exceed spending authority.

Governmental Activities

Revenues for governmental activities were \$6,416,216 and expenses were \$5,825,143. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	of Services 2006	Change 2006-07
Instruction	\$ 4,027,367	4,106,606	-1.93%	3,244,873	3,268,503	-0.72%
Support services	1,541,746	1,561,178	-1.24%	1,541,746	1,561,178	-1.24%
Non-instructional programs	0	154	-100.00%	0	154	-100.00%
Other expenses	256,030	331,384	-22.74%	43,477	136,064	-68.05%
Totals	\$ 5,825,143	5,999,322	-2.90%	4,830,096	4,965,899	-2.73%

- The cost financed by users of the District's programs was \$246,443.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$748,604.
- The net cost of governmental activities was financed with \$1,915,491 in property tax, \$255,565 in income surtax, \$472,351 in local option sales and services tax, \$2,659,244 in unrestricted state grants, \$50,942 in interest income and \$67,576 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$215,302 and expenses were \$193,941. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District also received capital contributions from the Capital Projects Fund of \$12,445 during the year.

INDIVIDUAL FUND ANALYSIS

As previously noted, the A-H-S-T Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,329,793, above last year's ending fund balances of a \$1,112,423.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in tax levy during the year resulted in an increase in tax revenues. The District had budget reductions during the year to avoid exceeding spending authority. The total expenditures were less than the total revenues, ensuring the increase of the District's financial position.

- The Capital Projects fund balance increased from \$576,331 in 2006, to \$603,504 in 2007 due to a decrease in costs associated with the new high school that is being built compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$88,668 at June 30, 2006 to \$122,474 at June 30, 2007, representing an increase of 38.13%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$65,070 less than budgeted revenues, a variance of .98%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$2,005,671, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 25.61% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$141,220.

The original cost of the District's capital assets was \$5,359,660. Governmental funds account for \$5,152,089 with the remainder of \$207,571 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$630,972 at June 30, 2007, compared to \$302,786 reported at June 30, 2006. This increase resulted from the current year capital facility construction on the new high school and athletic field improvements that will be capitalized upon completion.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 150,113	150,113	0	0	150,113	150,113	0.00%
Construction in progress	630,972	302,786	0	0	630,972	302,786	108.39%
Buildings	769,826	801,987	0	0	769,826	801,987	-4.01%
Land improvements	3,326	4,657	0	0	3,326	4,657	-28.58%
Machinery and equipment	399,856	298,338	51,578	38,859	451,434	337,197	33.88%
Total	\$ 1,954,093	1,557,881	51,578	38,859	2,005,671	1,596,740	25.61%

Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$179,959 in other long-term debt outstanding. This represents an increase of 42.92% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding Bus Loan payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$63,029 at June 30, 2007.

The District had outstanding early retirement payable from the General and Special Revenue, Management Funds of \$116,930 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	2007	2006	
Bus loan payable	\$ 63,029	0	100.00%
Early retirement	116,930	125,912	-7.13%
Total	<u>\$ 179,959</u>	<u>125,912</u>	<u>42.92%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District issued \$5.4 million in General Obligation Bonds on December 1, 2007 to finance construction on the new high school.
- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The increases in utility and transportation costs are still a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Collins, District Board Secretary, A-H-S-T Community School District, P.O. Box 158, Avoca, Iowa, 51521.

BASIC FINANCIAL STATEMENTS

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 898,578	0	898,578
Other	1,762,157	73,599	1,835,756
Receivables:			
Property tax:			
Delinquent	27,024	0	27,024
Succeeding year	2,153,334	0	2,153,334
Income surtax	201,188	0	201,188
Accounts	3,463	0	3,463
Accrued ISCAP interest(Note 4)	34,850	0	34,850
Due from other governments	161,049	0	161,049
Inventories	0	1,238	1,238
Capital assets, net of accumulated depreciation(Note 5)	1,954,093	51,578	2,005,671
TOTAL ASSETS	7,195,736	126,415	7,322,151
LIABILITIES			
Accounts payable	198,839	60	198,899
Salary and benefits payable	406,673	358	407,031
ISCAP warrants payable(Note 4)	900,000	0	900,000
ISCAP accrued interest payable(Note 4)	32,934	0	32,934
ISCAP premiums payable	6,678	0	6,678
Deferred revenue:			
Succeeding year property tax	2,153,334	0	2,153,334
Other	12,204	3,523	15,727
Long-term liabilities(Note 6):			
Portion due within one year:			
Bus loan payable	63,029	0	63,029
Early retirement	51,884	0	51,884
Portion due after one year:			
Early retirement	65,046	0	65,046
TOTAL LIABILITIES	3,890,621	3,941	3,894,562
NET ASSETS			
Invested in capital assets, net of related debt	1,891,064	51,578	1,942,642
Restricted for:			
Talented and gifted	30,867	0	30,867
Salary improvement program	182	0	182
Phase III	3,301	0	3,301
Capital projects	603,504	0	603,504
Management levy	55,166	0	55,166
Physical plant and equipment levy	187,134	0	187,134
Other special revenue purposes	42,318	0	42,318
Unrestricted	491,579	70,896	562,475
TOTAL NET ASSETS	\$ 3,305,115	122,474	3,427,589

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,746,615	97,695	501,040	(2,147,880)	0
Special instruction	639,589	17,611	35,011	(586,967)	0
Other instruction	641,163	131,137	0	(510,026)	0
	4,027,367	246,443	536,051	(3,244,873)	0
Support services:					
Student services	46,592	0	0	(46,592)	0
Instructional staff services	92,229	0	0	(92,229)	0
Administration services	568,573	0	0	(568,573)	0
Operation and maintenance of plant service	539,339	0	0	(539,339)	0
Transportation services	295,013	0	0	(295,013)	0
	1,541,746	0	0	(1,541,746)	0
Other expenditures:					
AEA flowthrough	212,553	0	212,553	0	0
Depreciation(unallocated)*	43,477	0	0	(43,477)	0
	256,030	0	212,553	(43,477)	0
Total governmental activities	5,825,143	246,443	748,604	(4,830,096)	0
Business-Type activities:					
Support services:					
Administration services	624	0	0	0	(624)
Operation and maintenance of plant services	2,402	0	0	0	(2,402)
	3,026	0	0	0	(3,026)
Non-instructional programs:					
Nutrition services	190,915	120,542	94,760	0	24,387
Total business-type activities	193,941	120,542	94,760	0	21,361
Total	\$ 6,019,084	366,985	843,364	(4,830,096)	21,361
General Revenues:					
Property tax levied for:					
General purposes				\$ 1,860,552	0
Capital outlay				54,939	0
Income surtax				255,565	0
Local option sales and service tax				472,351	0
Unrestricted state grants				2,659,244	0
Unrestricted investment earnings				50,942	0
Other general revenues				67,576	0
Total general revenues				5,421,169	0
Changes in net assets before capital contributions				591,073	21,361
Capital contribution				0	12,445
Changes in net assets				591,073	33,806
Net assets beginning of year				2,714,042	88,668
Net assets end of year				\$ 3,305,115	122,474

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 898,578	0	0	898,578
Other	841,654	611,237	309,266	1,762,157
Receivables:				
Property tax				
Delinquent	24,283	0	2,741	27,024
Succeeding year	1,944,732	0	208,602	2,153,334
Income surtax	201,188	0	0	201,188
Interfund	0	0	63,029	63,029
Accounts	3,463	0	0	3,463
ISCAP accrued interest(Note 4)	34,850	0	0	34,850
Due from other governments	57,242	103,807	0	161,049
TOTAL ASSETS	\$ 4,005,990	715,044	583,638	5,304,672
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 63,029	0	0	63,029
Accounts payable	82,576	111,540	4,723	198,839
Salaries and benefits payable	406,673	0	0	406,673
ISCAP warrants payable(Note 4)	900,000	0	0	900,000
ISCAP accrued interest payable(Note 4)	32,934	0	0	32,934
ISCAP premiums payable	6,678	0	0	6,678
Deferred revenue:				
Succeeding year property tax	1,944,732	0	208,602	2,153,334
Income surtax	201,188	0	0	201,188
Other	12,204	0	0	12,204
Total liabilities	3,650,014	111,540	213,325	3,974,879
Fund balances:				
Reserved for:				
Capital facility construction	0	69,132	0	69,132
Talented and gifted	30,867	0	0	30,867
Salary improvement program	182	0	0	182
Market factor	3,301	0	0	3,301
Unreserved:				
Undesignated	321,626	534,372	370,313	1,226,311
Total fund balances	355,976	603,504	370,313	1,329,793
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,005,990	715,044	583,638	5,304,672

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 1,329,793
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,954,093
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	201,188
Bus loan payable and early retirement liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(179,959)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 3,305,115</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,945,269	472,351	194,249	2,611,869
Tuition	100,379	0	0	100,379
Other	118,356	9,302	136,924	264,582
Intermediate sources	87,490	0	0	87,490
State sources	3,171,235	0	0	3,171,235
Federal sources	149,123	0	0	149,123
Total revenues	5,571,852	481,653	331,173	6,384,678
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,741,098	0	36,181	2,777,279
Special instruction	639,589	0	0	639,589
Other instruction	530,562	0	116,842	647,404
	3,911,249	0	153,023	4,064,272
Support services:				
Student services	46,592	0	0	46,592
Instructional staff services	92,229	0	0	92,229
Administration services	568,444	0	6,632	575,076
Operation and maintenance of plant services	351,148	48,476	60,565	460,189
Transportation services	283,869	0	72,111	355,980
	1,342,282	48,476	139,308	1,530,066
Other expenditures:				
Facilities acquisitions	0	406,004	18,707	424,711
AEA flowthrough	212,553	0	0	212,553
	212,553	406,004	18,707	637,264
Total expenditures	5,466,084	454,480	311,038	6,231,602
Excess of revenues over expenditures	105,768	27,173	20,135	153,076
Other financing sources:				
Proceeds from the disposal of property	1,265	0	0	1,265
Proceeds from bus loan	0	0	63,029	63,029
Total other financing sources	1,265	0	63,029	64,294
Net change in fund balances	107,033	27,173	83,164	217,370
Fund balance beginning of year	248,943	576,331	287,149	1,112,423
Fund balance end of year	\$ 355,976	603,504	370,313	1,329,793

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 217,370

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal of capital assets in the year are as follows:

Capital outlays	\$ 550,204	
Depreciation expense	(136,868)	
Loss on disposal of capital assets	<u>(17,124)</u>	396,212

Proceeds of long-term debt provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets. (63,029)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 31,538

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement		<u>8,982</u>
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Changes in net assets of governmental activities (page 14) \$ 591,073

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 73,599
Inventories	1,238
Capital assets, net of accumulated depreciation (Note 5)	<u>51,578</u>
TOTAL ASSETS	<u>126,415</u>
LIABILITIES	
Accounts payable	60
Salaries and benefits payable	358
Deferred revenues:	
Other	<u>3,523</u>
TOTAL LIABILITIES	<u>3,941</u>
NET ASSETS	
Invested in capital assets	51,578
Unrestricted	<u>70,896</u>
TOTAL NET ASSETS	<u>\$ 122,474</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Charges for service	\$ 120,542
OPERATING EXPENSES:	
Support services:	
Administration services:	
Other	624
Operation and maintenance of plant services	
Services	2,402
Total support services	3,026
Non-instructional programs:	
Food service operations:	
Salaries	57,587
Benefits	7,786
Supplies	119,804
Other	1,386
Depreciation	4,352
Total non-instructional programs	190,915
TOTAL OPERATING EXPENSES	193,941
OPERATING LOSS	(73,399)
NON-OPERATING REVENUES:	
State sources	3,162
Federal sources	91,598
TOTAL NON-OPERATING REVENUES	94,760
Change in net assets before capital contribution	21,361
Capital contribution	12,445
Change in net assets	33,806
Net assets at beginning of year	88,668
Net assets end of year	\$ 122,474

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 121,308
Cash received from miscellaneous operating activities	40
Cash payments to employees for services	(65,015)
Cash payments to suppliers for goods or services	(111,813)
Net cash used in operating activities	<u>(55,480)</u>
Cash flows from non-capital financing activities:	
State grants received	3,162
Federal grants received	80,851
Net cash provided by non-capital financing activities	<u>84,013</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(4,626)</u>
Net increase in cash and cash equivalents	23,907
Cash and cash equivalents at beginning of year	<u>49,692</u>
Cash and cash equivalents at end of year	<u><u>\$ 73,599</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (73,399)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	10,747
Depreciation	4,352
Decrease in inventories	1,609
Increase in accounts payable	47
Increase in salaries and benefits payable	358
Increase in deferred revenue	806
Net cash used in operating activities	<u><u>\$ (55,480)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 73,599</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$10,747.

During the year ended June 30, 2007, the District received capital contributions from the Capital Projects Fund valued at \$12,445.
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	<u>Private</u>
	<u>Purpose Trust</u>
	<u>Scholarships</u>
ASSETS	
Cash and pooled investments	<u>\$ 480,958</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u><u>\$ 480,958</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Scholarships</u>
Additions:	
Local sources:	
Interest income	<u>\$ 17,476</u>
Deductions:	
Non-instructional programs:	
Scholarship awarded	<u>21,900</u>
Change in net assets	(4,424)
Net assets beginning of year	<u>485,382</u>
Net assets end of year	<u><u>\$ 480,958</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The A-H-S-T Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Avoca, Iowa, and the predominate agricultural territory in Shelby, Harrison, and Pottawattmie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, A-H-S-T Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The A-H-S-T Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Shelby, Harrison, and Pottawattmie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Bonds and Certificates of Deposit are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Bonds are stated at fair value. Bonds traded on a national or international exchange are valued the last reported sales price at current exchange rates.

At June 30, 2007, the District had investments in U.S. Treasury Bonds as follows:

	Fair Value
U.S. Treasury Bond	\$ 15,000

At June 30, 2007, the District had investments in Certificates of Deposit with a maturity over one year as follows:

	Fair Value
Certificate of Deposit	\$ 175,721

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Physical Plant and Equipment Levy	\$ 63,029

The Special Revenue, Physical Plant and Equipment Levy Fund is repaying the General Fund for a bus purchase. The balance will be repaid by June 30, 2008.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating

entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	34,581	0	32,705
2007-08A	6/28/06	6/28/07	898,578	269	900,000	229
Total			<u>\$ 898,578</u>	<u>34,850</u>	<u>900,000</u>	<u>32,934</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	450,000	450,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 193,698	17,071	3,198	207,571
Less accumulated depreciation	154,839	4,352	3,198	155,993
Business-type activities capital assets, net	<u>\$ 38,859</u>	<u>12,719</u>	<u>0</u>	<u>51,578</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 150,113	0	0	150,113
Construction in progress	302,786	328,186	0	630,972
Total capital assets not being depreciated	452,899	328,186	0	781,085
Capital assets being depreciated:				
Buildings	2,537,568	9,985	6,694	2,540,859
Land improvements	221,203	0	0	221,203
Machinery and equipment	1,449,818	212,033	52,909	1,608,942
Total capital assets being depreciated	4,208,589	222,018	59,603	4,371,004
Less accumulated depreciation for:				
Buildings	1,735,581	42,146	6,694	1,771,033
Land improvements	216,546	1,331	0	217,877
Machinery and equipment	1,151,480	93,391	35,785	1,209,086
Total accumulated depreciation	3,103,607	136,868	42,479	3,197,996
Total capital assets being depreciated, net	1,104,982	85,150	17,124	1,173,008
Governmental activities capital assets, net	\$ 1,557,881	85,150	17,124	1,954,093

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 36,718
Other	4,446
Support services:	
Administration services	400
Operation and maintenance of plant services	2,595
Transportation	49,232
	93,391
Unallocated depreciation	43,477
Total governmental activities depreciation expense	\$ 136,868
Business-type activities:	
Food services	\$ 4,352

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Bus loan payable	\$ 0	63,029	0	63,029	63,029
Early retirement	125,912	56,958	65,940	116,930	51,884
Total	\$ 125,912	119,987	65,940	179,959	114,913

Bus Loan Payable

During the year ended June 30, 2007 the District entered into a loan agreement with MidStates Bank of Avoca, Iowa for the purchase of a bus. The loan will be financed with property taxes received in the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2007 bus loan indebtedness is as follows:

Year	Loans dated January 5, 2007			
Ending June 30,	Interest Rate	Principal	Interest	Total
2008	5.55 %	\$ 63,029	3,467	66,496

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-seven and must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a specified amount based on the age during the year of retirement. Early retirement benefits paid during the year ended June 30, 2007, totaled \$65,940.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$169,336, \$164,747 and \$174,574, respectively, equal to the required contributions for each year.

(8) Risk Management

A-H-S-T Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$212,553 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into contracts totaling \$700,104 for construction on the new high school and athletic field improvements. As of June 30, 2007, costs of \$630,972 had been incurred against the contracts. The balance of \$69,132 remaining at June 30, 2007 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary		Budgeted Amounts		Final to
Fund Types	Fund Type	Total		Original	Final	Actual
Actual	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,976,830	120,542	3,097,372	3,218,018	3,218,018	(120,646)
Intermediate sources	87,490	0	87,490	0	0	87,490
State sources	3,171,235	3,162	3,174,397	3,195,412	3,195,412	(21,015)
Federal sources	149,123	91,598	240,721	251,620	251,620	(10,899)
Total revenues	6,384,678	215,302	6,599,980	6,665,050	6,665,050	(65,070)
Expenditures:						
Instruction	4,064,272	0	4,064,272	3,698,084	4,150,000	85,728
Support services	1,530,066	3,026	1,533,092	2,068,958	1,939,018	405,926
Non-instructional programs	0	190,915	190,915	270,732	270,732	79,817
Other expenditue	637,264	0	637,264	1,465,442	1,465,442	828,178
Total expenditures	6,231,602	193,941	6,425,543	7,503,216	7,825,192	1,399,649
Excess(deficiency) of revenues over(under) expenditures	153,076	21,361	174,437	(838,166)	(1,160,142)	1,334,579
Other financing sources, net	64,294	12,445	76,739	0	0	76,739
Excess(deficiency) of revenues and other financing sources over(under) expenditures	217,370	33,806	251,176	(838,166)	(1,160,142)	1,411,318
Balance beginning of year	1,112,423	88,668	1,201,091	1,873,212	1,873,212	(672,121)
Balance end of year	\$ 1,329,793	122,474	1,452,267	1,035,046	713,070	739,197

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$321,976.

OTHER SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 143,619	42,318	123,329	309,266
Receivables:				
Property tax:				
Current year delinquent	1,965	0	776	2,741
Succeeding year	150,000	0	58,602	208,602
Interfund	0	0	63,029	63,029
TOTAL ASSETS	\$ 295,584	42,318	245,736	583,638
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,723	0	0	4,723
Deferred revenue:				
Succeeding year property tax	150,000	0	58,602	208,602
Total liabilities	154,723	0	58,602	213,325
Fund balances:				
Unreserved:				
Undesignated				
Total fund balances	140,861	42,318	187,134	370,313
TOTAL LIABILITIES AND FUND BALANCES	\$ 295,584	42,318	245,736	583,638

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 139,310	0	54,939	194,249
Other	8,891	127,381	652	136,924
TOTAL REVENUES	148,201	127,381	55,591	331,173
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	36,181	0	0	36,181
Other instruction	0	116,842	0	116,842
Support services:				
Administration services	6,632	0	0	6,632
Operation and maintenance of plant services	60,565	0	0	60,565
Transportation services	9,082	0	63,029	72,111
Other expenditures:				
Facilities acquisition	0	0	18,707	18,707
TOTAL EXPENDITURES	112,460	116,842	81,736	311,038
Excess(deficiency) of revenues over(under) expenditures	35,741	10,539	(26,145)	20,135
Other financing sources:				
Proceeds from bus loan	0	0	63,029	63,029
Total other financing sources	0	0	63,029	63,029
Net change in fund balances	35,741	10,539	36,884	83,164
Fund balance beginning of year	105,120	31,779	150,250	287,149
Fund balance end of year	\$ 140,861	42,318	187,134	370,313

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Marketing class	\$ 237	0	237	0
Drill team	45	597	591	51
Show choir	(430)	2,058	954	674
Musical	0	1,495	0	1,495
Drama	915	1,883	2,798	0
General athletics	4,575	4,521	5,108	3,988
Boys basketball	1,260	8,694	9,954	0
Wrestling	1,505	3,112	4,187	430
Track/CC	(2,069)	4,603	1,883	651
Accural reserve	336	0	336	0
Golf	(1,925)	1,925	0	0
Football	2,742	15,061	12,809	4,994
Baseball	463	15,941	13,636	2,768
Girls basketball	4,816	1,029	4,269	1,576
Volleyball	652	5,175	5,372	455
Softball	(828)	3,388	2,129	431
Interest	386	0	386	0
Class of 04	525	0	525	0
Class of 06	(128)	128	0	0
Class of 07	1,097	699	1,144	652
Class of 08	(104)	8,283	6,666	1,513
Class of 09	(73)	73	0	0
Start up cash paid out	(200)	825	625	0
Annuaals	(1,585)	3,829	2,244	0
H.S. Faculty	198	0	0	198
Cheerleaders-fb	2,210	2,554	1,819	2,945
Vocal	(261)	646	385	0
FCCLA	(510)	10,497	8,487	1,500
National honor society	352	920	797	475
Musical	2,026	0	2,026	0
Cheerleaders-BB	2,312	8,658	7,983	2,987
Cheerleaders-wrestling	600	450	600	450
Elementary activity	2,634	6,555	4,624	4,565
Elementary faculty	215	0	215	0
Concessions	2,280	3,019	3,716	1,583
Talent show	75	0	0	75
Trips	422	0	422	0
H.S. student activities	7,014	6,559	5,711	7,862
Washington trip	0	4,204	4,204	0
Total	\$ 31,779	127,381	116,842	42,318

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 JUNE 30, 2007

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 25,365	261,941	178,652	15,000	480,958
LIABILITIES					
	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	\$ 25,365	261,941	178,652	15,000	480,958

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2007

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 1,663	10,588	5,225	0	17,476
DEDUCTIONS:					
Non-instructional programs:					
Scholarship awarded	1,900	14,000	6,000	0	21,900
Changes in net assets	(237)	(3,412)	(775)	0	(4,424)
Net assets beginning of year	25,602	265,353	179,427	15,000	485,382
Net assets end of year	\$ 25,365	261,941	178,652	15,000	480,958

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,611,869	2,440,846	2,312,212	2,461,106
Tuition	100,379	203,872	84,692	83,747
Other	264,582	363,391	236,359	230,003
Intermediate sources	87,490	59,357	0	0
State sources	3,171,235	3,028,117	2,862,093	2,708,583
Federal sources	149,123	174,196	234,908	133,895
Total	<u>\$ 6,384,678</u>	<u>6,269,779</u>	<u>5,730,264</u>	<u>5,617,334</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,777,279	2,891,637	2,746,076	2,282,332
Special instruction	639,589	613,855	864,153	781,836
Other instruction	647,404	687,457	441,090	513,802
Support services:				
Student services	46,592	45,617	124,686	140,717
Instructional staff services	92,229	82,881	96,833	126,586
Administration services	575,076	586,907	560,376	585,361
Operation and maintenance of plant services	460,189	597,196	418,645	334,336
Transportation services	355,980	261,447	194,346	266,829
Non-instructional:				
Community service operations	0	154	0	0
Other expenditures:				
Facilities acquisitions	424,711	545,686	128,925	219,353
AEA flow-through	212,553	195,320	184,761	186,724
Total	<u>\$ 6,231,602</u>	<u>6,508,157</u>	<u>5,759,891</u>	<u>5,437,876</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
A-H-S-T Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered A-H-S-T Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of A-H-S-T Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of A-H-S-T Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects A-H-S-T Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of A-H-S-T Community School District's financial statements that is more than inconsequential will not be prevented or detected by A-H-S-T Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by A-H-S-T Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

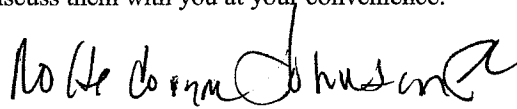
As part of obtaining reasonable assurance about whether A-H-S-T Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

A-H-S-T Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit A-H-S-T Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of A-H-S-T Community School District and other parties to whom A-H-S-T Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of A-H-S-T Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2008

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-07 Student Activity Funds - During our audit concerns arose about certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of areas of concern are the following:

The High School Faculty and Elementary Faculty accounts appear to be intended for use by teachers for break room beverages. These accounts do not appear to be extracurricular or cocurricular in nature. The accounts used by the teachers may be more appropriate in the General Fund.

Donations made to a District should be placed in the most appropriate place based upon the donor request. Target donations are to schools for instructional materials and supplies. The most logical place to record the revenue and subsequent purchase would be the General Fund. The District should record future donations from Target in the General Fund.

Response - We agree with your recommendation on the purpose of the Student Activity Fund and the placement of donations. We will correct immediately.

Conclusion - Response accepted.

- I-C-07 Purchase Orders - We noted during our audit of the Special Revenue, Student Activity Fund that most disbursements did not have a purchase order.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - We agree with your recommendation and will make sure purchase orders are used for Student Activity disbursements.

Conclusion - Response accepted.

- I-D-07 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Chapter 554D.114 of the Code of Iowa requires both the front and back of check images to be retained.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - Mary Kay Sievers contacted US Bank in February 2008 to have photo images made of the front and back of the checks. Midstates Bank began providing both side images in October 2007.

Conclusion - Response accepted.

- I-E-07 Cash Given to Students - We noted during our audit of the Special Revenue, Student Activity Fund that the District reimbursed a Principal for cash that was given to students as incentives for doing homework.

Recommendation - The District should review procedures in place for reimbursement to employees. The District should refrain from reimbursing for cash that is paid as incentives. Students should not receive incentives.

Response - We will review procedures in place.

Conclusion - Response accepted.

- I-F-07 Payments to Athletic Officials - We noted during our audit of the Special Revenue, Student Activity Fund that the District writes checks to officials before events and pay the night of the event.

Recommendation - The District should review procedures in place for payments made to officials. Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game, after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and athletic officials should be informed that payment will be made in this manner unless a valid contract exists.

Response - We began this fall having a list of officials and fees to be paid for each of the season's activities prepared and given to the Board for approval. The officials checks are paid after the event.

Conclusion - Response accepted.

I-G-07 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The Nutrition Department did figure the pricing incorrectly, but will in the future use the correct price values in calculating the inventory value at the end of the year.

Conclusion - Response accepted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.
- Recommendation - The District should contact the bank and request to receive the proper interest rate on the certificate of deposit.
- Response - We agree with this recommendation and will correct it immediately.
- Conclusion - Response accepted.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.